

1 **DIRECT TESTIMONY OF**

2 **CARLETTE L. WALKER**

3 **ON BEHALF OF**

4 **SOUTH CAROLINA ELECTRIC & GAS COMPANY**

5 **DOCKET NO. 2012-203-E**

6  
7 **Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.**

8 A. My name is Carlette L. Walker. My business address is 1162 State  
9 Highway 213, Jenkinsville, South Carolina.

10 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

11 A. I am employed by SCANA Services, Inc. as Vice President for Nuclear  
12 Finance Administration. I am testifying on behalf of South Carolina Electric &  
13 Gas Company ("SCE&G" or the "Company").

14 **Q. DESCRIBE YOUR EDUCATIONAL BACKGROUND AND BUSINESS**  
15 **EXPERIENCE.**

16 A. I am a 1981 graduate, cum laude, of the University of South Carolina with a  
17 Bachelor of Science Degree in Accounting. Following graduation, I worked for  
18 two years in public accounting and became licensed as a Certified Public  
19 Accountant in the State of South Carolina. In 1983, I joined SCE&G's Internal  
20 Audit Department. After four years in Internal Audit, I accepted an accounting  
21 supervisory position with South Carolina Pipeline Corporation ("SCPC"). In  
22 1994, I was promoted to Manager of SCPC's accounting department, and in 1997,

1 I was promoted to the position of Controller for that company. In 1998, I accepted  
2 the position of SCE&G's Assistant Controller - Electric Generation, and in 1999 I  
3 was promoted to Assistant Controller - SCE&G. Effective in 2002, my  
4 responsibilities as Assistant Controller were increased to include all SCANA  
5 regulated subsidiaries. In 2006, I was promoted to Corporate Compliance and  
6 Ethics and Audit Officer. In 2009, I assumed my current position as Vice  
7 President for Nuclear Finance Administration.

8 I am currently a member of the American Institute of Certified Public  
9 Accountants and the South Carolina Association of Certified Public Accountants.

10 **Q. HAVE YOU EVER TESTIFIED BEFORE THIS COMMISSION IN THE**  
11 **PAST?**

12 A. Yes. I have testified before the Public Service Commission of South  
13 Carolina (the "Commission") in several past proceedings.

14 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

15 A. The purpose of my testimony is to present the accounting, budgeting and  
16 forecasting information related to the updates in cost schedules proposed in this  
17 proceeding. As part of my testimony, I sponsor Exhibit No. \_\_ (CLW-1), which is  
18 an updated schedule of capital costs for construction of V. C. Summer Nuclear  
19 Station Units 2 and 3 (the "Units"). This document is identical to Exhibit 2 to the  
20 Petition. If approved by the Commission, this schedule would become the  
21 approved capital costs schedule for the Units under the Base Load Review Act,  
22 taking the place of Exhibit F as approved in Order No. 2009-104(A), and Exhibit 2

1 as approved in Order No. 2011-345. I am also sponsoring Exhibit No. \_\_\_\_ (CLW-  
2 2), which shows the relative changes to the capital costs schedule comparing the  
3 updated schedule of capital costs to the schedule approved in Order No. 2009-  
4 104(A), as amended by Order Nos. 2010-12 and 2011-345. These two exhibits are  
5 also exhibits to the petition in this docket (the “Petition”).

6 **Q. WHAT REQUEST IS THE COMPANY MAKING IN THIS DOCKET**  
7 **WITH REGARD TO THE CAPITAL COSTS SCHEDULE?**

8 A. SCE&G is requesting that the Commission approve Exhibit No. \_\_\_\_  
9 (CLW-1), as the approved capital costs schedule for the construction of the Units  
10 going forward.

11 **Q. WHAT IS THE AUTHORITY FOR THIS REQUEST?**

12 A. As the South Carolina Supreme Court recognized in its opinion in *South*  
13 *Carolina Energy Users Comm. v. South Carolina Pub. Serv. Comm’n*, 388 S.C.  
14 486, 697 S.E.2d 587 (2010) (“*South Carolina Energy Users Comm.*”), changes to  
15 the approved capital costs schedule are authorized under S.C. Code Ann. § 58-33-  
16 270(E). Under that statute, such modifications to approved schedules of capital  
17 costs are appropriate so long as they are not the result of imprudence by the utility.

18 **Q. PLEASE EXPLAIN THE CAPITAL COSTS SCHEDULE ADJUSTMENTS**  
19 **THAT ARE PRESENTED IN THE PETITION.**

20 A. In the Petition, the Company is proposing the following adjustments to the  
21 schedules that were approved in Order No. 2009-104(A) and updated in Order No.  
22 2011-345.

1. Change Order No. 16
2. Updates to Owners cost
3. Updates to Transmission cost
4. Three other change orders

**Q. WHAT IS THE EFFECT OF THESE PROPOSED ADJUSTMENTS?**

A. These changes increase the approved capital costs schedule for the Units in 2007 dollars from \$4.3 billion as approved in Order No. 2011-345 to \$4.6 billion.<sup>1</sup> These changes are off-set by changes in escalation rates, which collectively have reduced the cost of the Units from \$6.3 billion, as originally projected in the financial schedules that were approved in Order No. 2009-104(A), to \$5.8 billion.

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<sup>1</sup> Unless otherwise specified, all cost figures in this testimony are stated in 2007 dollars net of Allowance for Funds Used During Construction and reflect SCE&G's share of the cost of the Units.

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**Chart A**

<b><u>RECONCILIATION OF CURRENT COST PROJECTIONS</u></b> <b><u>TO ORDER NO. 2011-345</u></b> <b>(\$000)</b>	
<b>Revised Forecast (Exhibit No. __ (CLW-1)</b>	\$ 5,761,910
<b>Forecast Order No. 2011-345</b>	<u>\$ 5,786,943</u>
<b>Change</b>	<b>\$ (25,033)</b>
<b>Reconciliation:</b>	
Change Order No. 16 (Shield Building, COL Delay, Modules, Rock Condition, etc.)	\$ 137,500
Owners Cost	\$ 131,625
Transmission Cost	\$ 7,921
Other Change Orders (Cyber Security, Health Care, Wastewater Piping)	\$ 5,905
<b>Total</b>	<b>\$ 282,951</b>
Change in Project Escalation	\$ (290,226)
Change in AFUDC	<u>\$ (17,758)</u>
<b>Net</b>	<b>\$ (25,033)</b>

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I would note that the projections presented here reflect current forecasts of escalation impacts which we will update quarterly as required by Order No. 2009-104(A). The current projections do not include any unidentified or un-itemized owner's contingency funds such as those that were contained in the schedules approved in Order No. 2009-104(A).

1 **Q. PLEASE PROVIDE A BREAKDOWN OF THE CHANGES IN**  
2 **FORECASTED COST.**

3 A. Exhibit No. \_\_ (CLW-3) shows the changes in forecasted costs broken  
4 down according to the nine cost categories recognized in the Commission's BLRA  
5 orders. This exhibit also shows the changes in costs broken down into eight  
6 individual items. These eight items generally fall into four separate categories: (1)  
7 Change Order No. 16, which comprises the costs associated with the rescheduling  
8 of the project due to COL delay, the shield building redesign, the structural  
9 modules redesign and the Unit 2 rock conditions; (2) earlier change orders to the  
10 EPC Contract relating to cyber security, health care and wastewater piping; (3) a  
11 reforecast of Owners cost in light of all the above changes as well as new  
12 regulatory requirements and continued improvements to the staffing plan, the  
13 facilities plan, and the information technologies ("IT") plan for the project; and (4)  
14 updates to the forecast of Transmission costs. The details of each of these items  
15 will be discussed later.

16 **CHANGE ORDER NO. 16**

17 **Q. PLEASE ITEMIZE THE FIRST SET OF THESE ITEMS RELATED TO**  
18 **CHANGE ORDER NO. 16.**

19 A. The items related to Change Order No. 16 are detailed in Mr. Byrne's  
20 testimony. They represent a cost adjustment of \$137.5 million for the project.  
21 Exhibit No. \_\_ (CLW-3) shows how the costs of Change Order No. 16 are  
22 allocated among the EPC Contract cost categories.

**OWNERS COST UPDATES**

**Q. PLEASE EXPLAIN THE NEXT SET OF ITEMS THAT ARE SHOWN ON EXHIBIT NO. \_\_ (CLW-3) RELATED TO OWNERS COST.**

A. The next category of items, Item 10 on Exhibit No.\_\_ (CLW-3), shows the changes in Owners cost forecasts as a result of the reviews of Owners cost that SCE&G has undertaken since 2011. SCE&G has conducted these reviews in light of its continued assessment of the training and personnel requirements for operating the Units, the personnel required to oversee the safety, quality and timeliness of the construction project, the impact on Owners cost from changes in the schedule for completing the Units, reviews of the facilities plan and IT plan for the project in light of current staffing and needs, and annual budget reviews for other costs of the projects. The Exhibit shows that the total amount of Owners cost updates is \$131.6 million.

Mr. Lavigne testifies regarding the current staffing plans for operating and maintaining the Units and for the construction project. He testifies to the reasonableness and prudence of these plans and the resulting adjustments to the cost forecasts for the project. I am familiar with the process that he and his team have used for making these updates and the decisions that they have made as a result. I support his conclusion that these updates to the staffing plans reflect prudent and necessary costs of the project.

My testimony explains the basis for the other changes in Owners cost projections that are not included in the changes in staffing costs. Those costs

1 reflect a broad range of changes much of which are associated with updates to the  
2 IT plan for the Units and the Facilities plan. I am very familiar with these plans  
3 and forecasts and how they were compiled and reviewed. It is my testimony that  
4 the changes they represent are reasonable and prudent costs of the project.

5 **Q. AS A MATTER OF BACKGROUND, WHAT TYPES OF EXPENSES ARE**  
6 **INCLUDED IN OWNERS COST?**

7 A. Owners cost includes costs SCE&G will incur that are related to overseeing  
8 the construction project; recruiting, hiring and training staff for the Units;  
9 preparing written operating procedures for all aspects of Unit operations,  
10 maintenance, safety and security; accepting, testing and maintaining the systems  
11 and components of the Units as they are completed and turned over to SCE&G  
12 pending completion of each Unit as a whole; obtaining licenses and permits for the  
13 project; start-up testing of the Units as they are completed; providing the materials  
14 and supplies needed for maintenance of plant systems up to the date of  
15 commercial operations. Owners cost also includes a number of construction-  
16 related items such as workers' compensation insurance for all contractors and  
17 subcontractors, payment of miscellaneous taxes including sales taxes, and certain  
18 preconstruction costs.

19 **Q. PLEASE EXPLAIN HOW THE INITIAL FORECAST OF THE COST OF**  
20 **THESE ACTIVITIES WAS PREPARED.**

21 A. As discussed in detail in my testimony in Docket No. 2010-376-E, which I  
22 ask to be incorporated in the docket of this proceeding by reference, SCE&G



1 created the Owners cost estimates contained in the original 2008 BLRA  
2 application while it was evaluating nuclear generation options and negotiating the  
3 terms of the EPC Contract. Those estimates were updated in Order No. 2011-345  
4 which was issued in Docket No. 2010-376-E. The Owners cost forecasts approved  
5 in that docket were based on a detailed staffing plan, the project budget and a cost-  
6 center by cost-center review of the cost of the project that had been compiled  
7 during the period 2008-2010.

8 The update requested in Docket No. 2010-376-E was specifically required  
9 in response to the order of the South Carolina Supreme Court in *South Carolina*  
10 *Energy Users Comm.* In that order, the Court ruled that amounts that were not  
11 allocated to specific items of cost could not be included in the Commission-  
12 approved cost schedules for the Units. SCE&G filed its petition in Docket No.  
13 2010-376-E as soon after the order was issued as the cost schedules could be  
14 prepared to do so.

15 Since 2011, SCE&G has continued to review, refine and update these  
16 owners cost projections based on operating experience with the project, and  
17 ongoing analysis of the personnel and facilities needed to safely and efficiently  
18 construct and operate the Units and EPC contract change orders. The current  
19 projections also reflect the effect of changes in substantial completion dates for the  
20 Units and other changes under the EPC contract, as discussed in Mr. Byrne's  
21 testimony.

1   **Q.   WHAT HAS GONE INTO THIS BUDGETING PROCESS?**

2   A.           Mr. Lavigne testifies to the process by which the staffing budgets have  
3           been updated since 2011. As mentioned above, I have been involved in reviewing  
4           the results of this process and support his conclusions regarding the  
5           reasonableness and prudence of these revisions. I am sponsoring the revisions to  
6           the other aspects of Owners cost which are set forth on the updated budget as  
7           shown in Chart B in my testimony. These changes are based on the annual, cost-  
8           center by cost-center review of the budget for the project which is described in my  
9           testimony in Docket No. 2010-376-E as well as specific revisions to the facilities  
10          plan and the newly formulated IT plan for the Units (the “IT Roadmap”).

11   **Q.   IN PREPARING THE CURRENT OWNERS COST BUDGET, HOW DID**  
12   **YOU OBTAIN BUDGET INFORMATION FROM AREAS OTHER THAN**  
13   **NEW NUCLEAR DEVELOPMENT?**

14   A.           As indicated in prior testimony, we require all cost centers outside of New  
15          Nuclear Development (“NND”) to assign time and costs directly to the project  
16          based on time sheets and invoices for actual work performed. These cost centers  
17          include such groups as SCANA Audit Services, Legal, Treasury, Environmental,  
18          Risk Management and Insurance, Facilities Management, and multiple groups  
19          within current Nuclear Operations such as Unit 1 Health Physics that may assist  
20          on an as-needed basis in creating staffing plans and writing operating procedures  
21          for parts of Unit 2 & 3 operations.

1 All cost centers that anticipate providing direct support to the project must  
2 provide detailed budgets for their activities through 2018 and update the budgets  
3 annually. These budgets are typically based on a review of the past amount of  
4 assistance provided by the outside group to NND adjusted to reflect any anomalies  
5 and to take into account an estimate of how needs for assistance are likely to  
6 evolve in the future. My group then carefully reviews these budgets against past  
7 experience and our understanding of the future needs of the project. We seek  
8 adjustments to them where we disagree with the assumptions or results. Bear in  
9 mind, these are budgets and we review what is charged to ensure that nothing is  
10 billed to the project except the cost of necessary assistance actually provided.  
11 However, we are also vigilant to ensure that these non-NND cost center cost  
12 forecasts are reasonable and necessary in all respects.

13 We are equally vigilant as to actual costs billed to the project. The NND  
14 teams review these charges each month to ensure that they are accurate, necessary  
15 and appropriate. Our joint-owner, Santee Cooper, has an equal interest in making  
16 sure that all charges are appropriate and reviews these charges independently on a  
17 monthly basis.

18 As to the budgets being presented here, I have reviewed them in detail and  
19 am very familiar with them through my role in their internal review and approval  
20 and the administration of the project month to month. It is my conclusion that  
21 they reflect reasonable, necessary and prudent costs of the project.

1 **Q. IS A COPY OF THE CURRENT OWNERS COSTS BUDGET**  
2 **AVAILABLE?**

3 A. A summary table of the current Owners cost budget changes is found on  
4 Chart B. Consistent with Mr. Marsh's testimony, I would emphasize that this  
5 budget will be updated on an on-going basis as the project proceeds.

6 **Chart B**

<b><u>Summary of Owners Cost Adjustments</u></b>	
<b>(\$000)</b>	
<b>Budget Category</b>	<b>Total Variance</b>
<b>All Other</b>	\$ 31,170
Direct SCANA Services	\$ 2,452
NND IT	\$ 28,702
VC Summer Unit 1	\$ 15
<b>NND-Operational Readiness</b>	\$ 81,650
NND Operations	\$ 13,227
Operational Readiness	\$ 51,089
Operational Readiness-Engineering	\$ 17,333
<b>NND-Oversight</b>	\$ 12,268
NND Business & Finance	\$ (526)
NND Construction	\$ 9,640
NND Engineering	\$ (2,434)
NND Finance Admin	\$ (575)
NND Licensing, Permits, & Inspections	\$ (7,574)
NND Management Administration	\$ 4,087
NND Non-Split	\$ 5,934
NND OD&P	\$ 1,604
NND QA	\$ 2,111
<b>NND-Training</b>	\$ 6,535
NND Training	\$ 6,535
<b>Grand Total</b>	<b>\$ 131,624</b>

1   **Q.     WHAT DOES CHART B SHOW?**

2   A.           Chart B is a budget summary table representing the increased costs for the  
3               27 NND cost centers and for the other 51 non-NND cost centers that we anticipate  
4               will charge costs to the project organized by functional area. The cost variances  
5               reflected in this chart include the variances related to the staffing updates that Mr.  
6               Lavigne discusses in his testimony. They also include the results of changes in  
7               our approach to delivering IT services both to the NND project, and to the Units  
8               after they go into service. These variances also include the revisions we have  
9               made to the facilities plans for the Units based on current staffing plans, additional  
10              reviews of facilities requirements, reviews of site security requirements, and  
11              lessons learned from the Fukushima event and forthcoming regulations related to  
12              it. In the case of IT requirements, these costs are set forth in a single summary  
13              NND IT cost center that was created to capture these costs. The additional  
14              facilities costs are included in the variance for NND Construction. In other cases,  
15              the variances reflect costs that benefit various areas of the project and are  
16              distributed among various summary budgetary items as they apply to them.

17   **Q.     WHAT IS THE BACK-UP MATERIAL FOR THIS BUDGET?**

18   A.           In the backup material for Chart B, the costs are broken down by detail  
19               resource codes for each of the 78 NND and non-NND cost centers that underlie  
20               the summary NND budget documents. For each of the entries in that budget, there  
21               is a separate set of schedules that breaks these summarized costs down month-by-  
22               month from project inception to date and year-by-year for the period of 2013 to

1 2018. Each cost center manager has developed a budget based on his or her  
2 professional assessment of the future needs of the project and experience. These  
3 budgets are supported by staffing and training plans, current corporate salary  
4 structures, outside services budgets, and other cost center specific budget  
5 documents as available. These detailed cost center budgets roll up and support the  
6 overall budget set forth here.

7 **Q. WHO CAN REVIEW THIS BACK-UP INFORMATION SUPPORTING**  
8 **THE CURRENT BUDGET?**

9 A. We are making the above-mentioned detailed cost center budgets and  
10 supporting documentation information available at the site to ORS. Because of  
11 the commercially sensitive nature of much of this information, and because in  
12 some cases this information contains data about individual employees' salaries, we  
13 are asking parties to sign confidentiality agreements if they wish to inspect this  
14 data at the construction site.

15 **Q. PLEASE EXPLAIN THE COST DRIVERS RELATED TO "NND IT."**

16 A. Following an intensive review and analysis by subject matter experts, we  
17 have determined that it is reasonable, prudent and necessary to increase our budget  
18 for IT resources for the project. We are requesting an upward adjustment of \$28.7  
19 million to the NND IT cost category. The adjustment reflects increases to costs  
20 associated with IT infrastructure, which includes licenses, hardware, software and  
21 implementation costs.

1   **Q.   PLEASE ELABORATE.**

2   A.           The IT budget for the project that was presented in Docket No. 2010-376-E  
3           had been compiled by each of the NND teams for its area. In most cases, the  
4           assumption underlying that budget was that it would be possible to use existing  
5           Unit 1 programs and infrastructure as the basis for meeting Unit 2 and 3 IT needs.  
6           As such, these budgets assumed that the IT costs for the new Units would benefit  
7           from the ability to meet their needs using existing IT infrastructure at Unit 1.

8           In 2011, we asked SCANA's IT department ("SCANA IT") to take  
9           ownership of this aspect of the project and create the formal IT Roadmap for  
10          implementing the plan for serving the new Units. SCANA IT determined that  
11          much of the existing IT infrastructure at Unit 1 was not scalable to support the two  
12          new Units. This review also resulted in identifying some components within the  
13          existing Unit 1 IT infrastructure such as health physics software that were  
14          becoming increasingly difficult to maintain because of outdated operating systems.  
15          This review also recognized issues surrounding the number of software licenses  
16          that were available, the use and application of software maintenance agreements  
17          and the overall need to upgrade the current Unit 1 IT infrastructure. As a result, it  
18          was determined that much of the Unit 1 IT infrastructure would need to be  
19          upgraded to operate under current IT standards. Of course, Unit 1 will share an  
20          appropriate allocation of the cost of the new IT infrastructure.

1 **Q. WHY IS IT INFRASTRUCTURE FOR A NUCLEAR UNIT SO**  
2 **IMPORTANT?**

3 A. The IT infrastructure for a nuclear unit is the means by which the operating  
4 staff for the unit tracks maintenance history, scheduled and preventive  
5 maintenance, parts and inventory on hand, where parts have been used in the plant,  
6 maintenance requests, work schedules, fatigue management and a great deal of  
7 information that is critical to meeting NRC safety and quality assurance and  
8 quality control (“QA/QC”) documentation requirements. Typically, every  
9 significant piece of equipment in a plant is individually documented in these  
10 systems along with all information about its manufacture, repair and service  
11 history.

12 **Q. ARE THE CHANGES REGARDING IT COSTS REASONABLE AND**  
13 **PRUDENT?**

14 A. I have reviewed these IT costs and the budgets and the plans on which they  
15 are based. They are reasonable, necessary and prudent costs of the project.

16 **Q. PLEASE EXPLAIN THE ITEM “VC SUMMER UNIT 1.”**

17 A. The item “VC Summer Unit 1” presents costs that are being incurred by  
18 Unit 1 employees in direct support of the project. These costs principally reflect  
19 the labor costs associated with time spent on the project by Unit 1 employees who  
20 have specific expertise that is valuable to the project.



1 **Q. PLEASE EXPLAIN THE ITEM “NND NON-SPLIT.”**

2 A. Most of the costs of the project are divided between SCE&G and Santee  
3 Cooper on a 55%-45% allocation. However, as we have discussed in prior cases,  
4 SCE&G incurs certain costs that are necessary for its role in the project that do not  
5 benefit Santee Cooper directly. These are principally costs for supporting  
6 SCE&G’s regulatory, finance/treasury or corporate governance/disclosure  
7 requirements which are not shared by Santee Cooper as a state governmental  
8 institution. The NND Non-Split category captures the incremental cost not  
9 billable to Santee Cooper. I have reviewed the forecast of incremental costs  
10 and can testify that they are reasonable and necessary costs of the project.

11 **Q. PLEASE EXPLAIN HOW THE CURRENT FACILITIES PLAN FOR THE**  
12 **UNITS HAS AFFECTED OWNERS COST FORECASTS FOR THE UNITS.**

13 A. In 2011-2012, SCE&G conducted a review of the facility needs for the  
14 project which identified additional facilities costs of \$7.8 million. These costs  
15 include the costs of facilities needed to house and support the project staff during  
16 construction and the facilities needed to house and support the staff of the Units  
17 while they are in operation. Also included in these costs are the costs of operating  
18 and maintaining the necessary facilities before commercial operations of the Units  
19 begins.

1 **Q. PLEASE EXPLAIN WHERE THESE COSTS ARE REFLECTED IN**  
2 **CHART B.**

3 A. The NND Construction budget category shown on Chart B includes these  
4 increased facilities costs as well as the additional costs of certain direct  
5 construction oversight activities. The variances in facilities costs discussed here  
6 are the principal drivers of the increase in the forecasted cost of the NND  
7 Construction budget category, but as discussed by Mr. Lavigne, applicable  
8 adjustments to staffing costs are also included in the variances shown in this  
9 budget category.

10 **Q. WHAT IS THE LARGEST COMPONENT OF THESE INCREASED**  
11 **FACILITIES COSTS?**

12 A. The largest single component of these costs is building maintenance cost,  
13 which is the cost of maintaining and operating the facilities required by the project  
14 during the period before the Units go into commercial service. The building  
15 maintenance cost variance represents \$1.9 million of the total variance due to the  
16 facilities plan.

17 **Q. WHAT IS DRIVING THESE INCREASED BUILDING MAINTENANCE**  
18 **COSTS?**

19 A. SCE&G has reviewed the building operations and maintenance costs for the  
20 project in light of the additional staff requirements and the acceleration of staff  
21 hiring that Mr. Lavigne discusses. When hiring is accelerated, building  
22 maintenance cost increases because the project is required to house more people

1 for longer periods of time. SCE&G has also reviewed its building maintenance  
2 cost forecast in light of other additions to the facilities plan, such as those  
3 discussed below, and actual maintenance costs data based on recent operating  
4 experience. All of these factors have contributed to the increase in building  
5 maintenance cost forecast for the project as discussed in the previous question.

6 **Q. ARE THERE OTHER FACTORS DRIVING THESE INCREASED**  
7 **FACILITIES COSTS?**

8 A. Yes. To respond to the accelerated hiring schedule discussed by Mr.  
9 Lavigne, and the delay in Westinghouse/Shaw turning over space that they will  
10 use during construction, SCE&G will have to add a number of modular buildings  
11 and other temporary office space to its facilities plan. It will use those modular  
12 buildings and other structures to house NND teams in areas like Operational  
13 Readiness, Construction Oversight, QA/QC and Training, and to provide housing  
14 for NRC inspectors, and IT teams. The additional cost of this temporary office  
15 space over the life of the project will be approximately \$1 million.

16 SCE&G has also forecasted an additional \$1.3 million and \$1.4 million for  
17 outfitting and furnishing the service building and maintenance facilities,  
18 respectively. These structures are being built by Shaw under the terms of the EPC  
19 contract. These structures are now in a design finalized state which allowed us to  
20 accurately plan for space and furnishing costs. SCE&G is reconfiguring the new  
21 Nuclear Operations Building (“NOB”) to accommodate the additional staff that

has been identified as being required to operate the Units safely and efficiently.  
This reconfiguring will add approximately \$ .7 million to the facilities budget.

**Q. DO OPERATIONAL CHANGES IN RESPONSE TO FUKUSHIMA  
CONTRIBUTE TO THESE INCREASED FACILITIES COSTS?**

A. As a result of the lessons learned from Fukushima, and the new standards being set for staffing emergency response functions as a result, SCE&G will maintain a fully staffed fire brigade on site at all times capable of fighting fires at all three Units simultaneously with dedicated emergency response personnel. To house the staff and equipment to meet these requirements SCE&G will build a site-wide Emergency Services Building, the cost of which will be shared with Unit 1. The new Units' share of this cost is approximately \$1million.

**Q. ARE OTHER ITEMS INCLUDED IN THESE INCREASED FACILITIES  
COSTS?**

A. There are two other items included in these adjustments to facilities cost forecasts. First, site security planning has identified the need to modify the facility to assure limited access to the site at the main access control point for the Units at an approximate cost of \$ 0.5 million. A similar amount will be spent to furnish and outfit the plant entry building.

These costs, when netted against reduced cost identified in other areas (specifically, -\$0.5 million for security training classrooms), result in the adjustment to facilities cost forecast of \$7.8 million which represents the majority

1 of the adjustment in the NND Construction item in the summary budget variance  
2 table.

3 **Q. PLEASE EXPLAIN HOW THE NEED FOR SPARE PARTS TO OPERATE**  
4 **THE UNITS AFFECTS THE BUDGET.**

5 A. At present, no change is reflected in the budget for the Spare Parts cost  
6 category. In the near future, Westinghouse/Shaw will be required, per the terms of  
7 the EPC contract, to provide SCE&G with a list of critical and required spare parts  
8 which SCE&G should have access to in order to ensure reliable operation of the  
9 Units. The spare parts requirements will be evaluated based on the likelihood of  
10 failure of particular components and equipment and the lead-times involved in  
11 obtaining or fabricating replacement parts if they are not maintained in spare parts  
12 inventories. Based on the list prepared by Westinghouse/Shaw, SCE&G will  
13 decide which spare parts to store on site and in what quantities. SCE&G will  
14 make these evaluations in consultation with other prospective owners of AP1000  
15 units and will seek to expand the pool of spare parts available and reduce the costs  
16 of maintaining them by sharing access to certain spare parts among the group.

17 **Q. WHEN WILL THAT PROCESS TAKE PLACE?**

18 A. The evaluation of the need for spare parts and options for stocking those  
19 that are required will take place prior to the startup of Unit 2. Once the spare parts  
20 list is developed, and provided per the terms of the EPC Contract, the NND team  
21 will begin evaluating the listing and ultimately valuing the inventory based on

1 costs in the market. Once that is done, the budgets will be updated to reflect any  
2 adjustments if necessary.

3 **TRANSMISSION COST UPDATES**

4 **Q. PLEASE EXPLAIN THE NEXT ITEM THAT IS SHOWN ON EXHIBIT**  
5 **No. \_\_ (CLW-3) RELATED TO TRANSMISSION COSTS.**

6 A. Item 9 reflects changes to the forecasts of Transmission cost. Mr. Young  
7 testifies to the reasonableness and prudence of these. I am familiar with these  
8 changes from an accounting and financial standpoint and support his conclusion  
9 that they are prudent and reasonable costs of the project.

10 **OTHER CHANGE ORDERS**

11 **Q. PLEASE EXPLAIN THE NEXT SET OF ITEMS THAT ARE SHOWN ON**  
12 **EXHIBIT NO. \_\_ (CLW-3) RELATED TO THE OTHER CHANGE**  
13 **ORDERS.**

14 A. Items 1-4 reflect the costs of Change Orders Nos. 12, 14 and 15 to the EPC  
15 Contract, which are related to Shaw health care costs, cyber security, and  
16 wastewater piping, respectively.

17 Mr. Byrne testifies to the reasonableness and prudence of the costs  
18 reflected in these change orders. I am familiar with these change orders and  
19 support his conclusion that they are prudent and reasonable costs of the project.

1 **Q. WHAT IS THE TOTAL NET ADJUSTMENT TO THE EPC CONTRACT**  
2 **COST?**

3 A. Items 1-4 and 6 on Exhibit No. \_\_ (CLW-3) reflect the EPC cost changes  
4 that the Company is requesting that the Commission approve. They represent  
5 approximately \$143 million of the total request.

6 **CONCLUSION**

7 **Q. WHAT ARE YOU REQUESTING THIS COMMISSION TO DO?**

8 A. The Company is requesting that the Commission approve, pursuant to S.C.  
9 Code Ann. § 58-33-270(E), the updated capital costs schedule in Exhibit No. \_\_\_\_  
10 (CLW-1) as the approved schedule of capital costs for the Units, subject to  
11 adjustment for escalation and net of AFUDC as provided for in Order No. 2009-  
12 104(A).

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 A. Yes, it does.